



Why do we do audits?

There are several reasons why we do audits. The primary and most important reason, however, is to validate the information we use to develop premiums rates. Occasionally we do audits to verify injury claims unusual for industry or as a result of a complaint filed by a concerned citizen.

What is an audit?

An audit is a review of your books and records to verify correct hours have been reported in the correct risk classifications. Audits may also be performed to determine if your firm has workers covered by Washington workers' compensation laws (industrial insurance laws). Audits commonly include a visual inspection of a job site or work location.

What records will we look at?

We will review any and all records that will assist us in validating the worker hours reported to the Department of Labor & Industries (L&I) are accurate. All of the records we request are records required to be kept by federal and state laws. The following are examples of records we may request:

- Daily time cards or time records
- Individual earning records
- Check registers
- Bank statements and cancelled checks
- Cash payment records and petty cash accounts
- Purchase and sales records
- Accounts receivable and accounts payable records
- General ledgers
- Financial reports
- Other income and expense records
- Contracts and service agreements
- Tax returns and all schedules
- Ownership records
- Meeting records
- Articles of incorporation or formation
- Accounting work papers

Will the auditor need records other than those listed above?

Yes, our representative may ask to interview the owner of the business, the accountant, employees, suppliers, customers, and subcontractors to validate information.

How will you know if your firm is being audited?

Our representative will contact you by mail or phone to set up an appointment. At that time we will provide you with a list of requested records to be reviewed.

What should you expect when the auditor arrives?

Our representative will introduce him/herself to you, give you a brief overview of the audit process, and explain the period and scope to be covered by the audit. During this time our representative will ask questions about your business. We refer to this as an entrance interview.

How will you know when the audit is complete?

Our representative will schedule a meeting with you to discuss the results of his/her review. If he/she has identified problem areas, they will be discussed at this time. In some cases you may be notified of the results by phone or by mail. We refer to this meeting or the less formal phone conference or mail notice as the exit conference. In all instances, you can request a formal meeting to discuss the results of the review.

Confidentiality

All information you provide will be maintained in strict confidence and is not available to the public. However, L&I has information sharing agreements with the Internal Revenue Service and other state agencies.

What if you disagree with the audit findings?

You have the right to present to us additional information you believe addresses the concerns our representative has identified. You must submit this information to us in a timely manner if you want the information to be considered.

What if you still disagree with the audit findings?

We will send you a copy of our post-audit instructions and a legal document we refer to as a Notice and Order of Assessment (NOA). Once you've received this document you may request a reconsideration meeting to discuss your issues. **To request reconsideration, submit a written request to the Revenue Agent listed on the NOA.** You should pay special attention to the dates on the NOA. If you do not request reconsideration within the allowable time frame (30 days), the order becomes final.

Do you have other appeal rights?

Yes, you have appeal rights but you must exercise those rights within the legal allowable time frame(s). You may call the Field Audit Supervisor at one of the offices listed below for assistance. (All are located in Washington State.)

Everett
425-290-1300

Seattle
206-515-2800

Tacoma
253-596-3800

Tumwater
360-902-5799

East Wenatchee
509-886-6500

Spokane
509-324-2600

This card is intended as a Quick Reference Guide for industrial insurance (workers' compensation) purposes. We make every effort to ensure that it is correct. When using this card, please understand it is not intended to replace Department of Labor & Industries' or insured's policies, procedures, RCWs or WACs in their entirety.